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SUBJECT: APEC: U.S. SENIOR OFFICIAL FOR APEC TONG
HOLDS BILATERAL REVIEW WITH CHINA'S SENIOR OFFICIAL
LU

(U) This cable is Sensitive But Unclassified.
Please protect accordingly.

Summary

¶1. (SBU) Summary: Meeting in Beijing September 29, U.S. Senior Official for Asia-Pacific Economic Cooperation (APEC) Affairs Kurt Tong reviewed a range of U.S. priorities in APEC with China's Senior Official for APEC (SOM) Lu Kang, Ministry of Foreign Affairs. The two highlighted the shared interests of the United States and China in pushing forward with APEC work on regional economic integration (REI) and climate change, with a view toward producing a substantive Leaders' Statement in November. Lu noted that Chinese ministries remain cautious regarding APEC proposals on services trade and trade in environmental goods and services (EGS). Lu reported little support in Beijing at this time for China hosting APEC in 2014, since that would be "earlier than normal." Lu signaled strong interest in the "inclusive growth" concept and said China looks forward with enthusiasm to the U.S. hosting of APEC in 2011. At a meeting at the China Council for the Promotion of International Trade (CCPIT) September 30, Tong conferred with China's APEC Business Advisory Council (ABAC) Secretariat and key representatives of China's ABAC delegation. End Summary.

Getting Ready for Singapore

¶2. (SBU) Lu welcomed Tong's visit as a first opportunity for Beijing and Washington to compare notes during the final run-up to the APEC Leaders' Meeting in November. China is particularly focused on clean energy, climate change, anti-protectionism, and the future reform and development of APEC. Asked about China's G20 takeaways, Lu ranked coordination on global financial and economic recovery as the top item. Lu also stressed that the world was looking to the United States for a stronger stance on the Doha Round negotiations and

anti-protectionism. This was particularly important with the clock running out on Doha in 2010. Lu said that while climate change was important, China does not see APEC or the G20 as a negotiating forum for climate change. He expected Copenhagen to be fruitful and thought that Ministers should not push beyond what was already decided. Both SOMs agreed that the United States should compare notes on their climate change positions during October and November, before and during APEC.

13. (SBU) Tong reviewed key U.S. priorities for APEC in 2009, including strong Leaders' Statement language (instructions for 2010) on regional economic integration, "inclusive growth", climate and clean energy, and food security. In addition, the United States will seek APEC endorsement of the key policy outcomes from the Pittsburgh G20 Summit. Lu asked about the U.S. position on the Free Trade Area of the Asia-Pacific (FTAAP) concept in 2009, as well as on Australia's Asia-Pacific Community (APC) proposal (noting that Australia raises this issue every time China speaks with them). Tong explained that it is imperative to continue to make positive forward progress on regional economic integration, in the direction of FTAAP, in concrete terms each year. For 2009, the United States does not anticipate dramatic new instructions regarding FTAAP from the Leaders, but we do need to show credible "deliverables" -- the most important this year being an APEC statement of principles on services trade and the APEC proposal on handling trade in

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environmental goods and services (EGS). Lu responded that China does not necessarily agree that APEC is the appropriate forum to discuss EGS, and he noted considerable Chinese inter-agency resistance to the services principles. Tong reiterated the importance of those issues. Regarding the Asia-Pacific Community, Tong noted that the best regional "architectures" will be ones that include the United States, because of the substantive contribution that the United States can bring, as well as because Asia-Pacific institutions that include the United States will make the biggest explicit and implicit contributions to regional stability.

APEC Membership Moratorium

14. (SBU) Lu also asked for Tong's opinion on the APEC membership moratorium. Tong answered that the United States believes it is worth considering a more flexible approach to allowing non-members to attend certain APEC meetings. Lu pointed out that currently, some non members such as Colombia sit in at meetings lower than SOM-level. He asked if the United States was considering supporting interested non-members sitting in at the Senior Officials level and above, to which Tong replied that attendance at ministerial meetings, on a case-by-case basis, might make sense. Referencing the results of the Pittsburgh G20 Summit, Lu Kang noted that China's senior leadership, including Vice Minister He Yafei, see "efficiency" in keeping multilateral and regional discussions such as the G20 and APEC limited to the minimum number of relevant economies.

Inclusive Growth

15. (SBU) Lu and Tong agreed that the "inclusive growth" concept being explored by APEC Senior Officials was useful for both the United States and China. Lu complained that China does not yet have a

good Mandarin translation for "inclusive growth", currently using "baorongxing zengzhang", but the Chinese officials will work further on defining this in a way that captures the concept for the Chinese public. As a related matter, Lu said that China's Ministry of Human Resources and Social Services (MOHRSS) is exploring setting up a multi-year fund for the APEC Human Resources Working Group. He noted that China has both a lot to learn and a lot to share on this issue, and he encouraged the United States to get involved in this discussion. Lu and Tong agreed that the work program on "inclusive growth" should stress creating opportunities to broaden participation in trade-led growth, as opposed to emphasizing ways to compensate for missed opportunities.

APEC Nuts and Bolts

¶6. (SBU) Lu raised the issue of non-proliferation, noting China's long-standing opposition to handling this topic within the APEC framework. Lu appeared satisfied with Tong's answer that counter-terrorism cooperation in areas such as airport security and tracking human movements belongs in APEC as long as that work has a demonstrable relationship to trade and economics. Tong noted the usefulness of smooth cooperation between China and Taiwan in APEC, and Lu responded that things in that area seem to be going well.

¶7. (SBU) Tong raised the ongoing discussion in the SOM Committee on Economic and Technical Cooperation regarding the setting of priorities, and explained

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that the United States is opposed to the Philippines idea of setting quotas for projects according to the sponsoring economy. At the same time, the United States sees great value in developing countries pulling together projects for APEC sponsorship, and noted that the U.S. Technical Assistance Task Force (TATF) in Singapore was established just for such a purpose. Lu took the point, but responded only that he had read the Philippine paper and agreed that proposals lacking "expertise" had a hard time getting approved.

¶8. (SBU) Following up on an inquiry made by Tong at the July Senior Officials' Meeting in Singapore, Lu told Tong that China was probably not ready to host APEC in 2014, having done so previously in 2001. He noted that the United States waited a longer time (18 years) between hosting, and economies such as Canada, New Zealand, Malaysia and the Philippines may be on the "waiting list" to host ahead of China. He said he would pass on Tong's request to continue to consider the idea, based on the logic that the largest and most capable economies should host more often. Personally, he said he was 100 percent behind the proposal, but that in the next few months it would be very difficult for China to make that kind of decision.

¶9. (SBU) Lu noted that Singapore told him they wanted to change the format of the Foreign Ministers' informal meeting from a 90-minute working breakfast to a 2.5 or 3-hour meeting. He said he personally discouraged Singapore from taking this step, out of consideration for Hong Kong and "Chinese Taipei." Lu also said that Singapore had told him that the United States had originally raised this idea. Tong clarified that the United States favors an informal meeting similar in length and format to previous years. Lu and Tong also discussed the fact that the

Finance Ministers Meeting and APEC Ministerial Meeting will conclude on the same day, and noted the need to closely coordinate the statements issued out of these two events.

¶10. (SBU) Lu raised the Australia-U.S.-China forestry project in APEC, and said it might be a good idea to hold the next meeting in Indonesia. Lu said China's Ministry of Agriculture was not enthusiastic about an Agricultural Ministerial Meeting in Japan, but found very interesting Tong's suggestion that the meeting focus on inviting ministers broadly responsible for food security issues, possibly from more than one ministry, rather than simply inviting agriculture ministries. Tong explained the U.S. analysis of the key food security challenges in the Asia-Pacific region. Lu said he would pass to the U.S. list of these issues (i.e., work to improve productivity, human resources, trade and investment flows, utilization of national resources, and infrastructure) to the Agriculture Ministry, and encourage them to "think holistically" about the ministerial in Japan.

¶11. (SBU) Lu also asked Tong how the United States might react to the Chinese Land Resources Ministry hosting an APEC mining industry ministerial meeting during 2011, and asked what other ministerials the United States was planning for 2011. Tong responded that the United States had not yet finalized a slate of ministerial meetings to host in 2011, but noted that mining was unlikely to be such a topic. Tong explained that the U.S. approach to ministerial meetings would be results-oriented, with discussions focused relatively narrowly on making progress on specific key issues, rather than holding more general discussions.

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¶12. (SBU) During his one-day visit to Beijing, Tong also met with China's APEC Business Advisory Council (ABAC) Secretariat chief Han Meiqing, who is Deputy Director General of the Department of International Relations at the China Council for the Promotion of International Trade (CCPIT). Joining Han were corporate executives representing China's ABAC delegates Jack Ma, CEO of Alibaba Inc. and Lili Wang, EVP of the Industrial and Commercial Bank of China (ICBC). Han reported that President Hu plans to address the APEC CEO Summit in Singapore, as in past years.

¶13. (U) This cable was cleared by Senior Official Tong.

HUNTSMAN